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SUBJECT: DRC NEARS COMPLETION OF POVERTY REDUCTION STRATEGY
PAPER

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¶1. (U) Summary: The DRC Minister of Planning unveiled what is nearly the final draft of the DRC's Poverty Reduction Strategy Paper (PRSP) the week of June 5. The 104-page document, the fruit of months of work by a committee composed of GDRC, civil society, and non-governmental organization representatives, sets out the DRC's poverty reduction plan through 2008 and is a crucial roadmap of how the country will aid its population of almost 60 million people. Donors and international organization representatives met with the committee and the Minister of Planning on June 13 to share their recommendations. The final document will then be approved by the GDRC before being given to the IMF and World Bank, probably by the end of June. Implementation, albeit under the transition government in place, could begin in July. End summary.

Son of IPRSP

¶2. (U) The new PRSP, once adopted, will replace the interim PRSP (IPRSP) of March 2002, which is in need of revision. When the IPRSP was written, the population was estimated at 52 million, foreign armies still occupied part of Congolese territory, per capita GDP was at USD 80 (it is now around USD 110), annual economic growth rate was negative 4.6 percent (it is now projected at 6.5 percent for 2006), and annual inflation was at 787 percent (versus less than 13.0 percent now). In addition to the goal of macroeconomic stability, largely accomplished, the 2002 IPRSP noted the need for greater control of GDRC spending, the strengthening of GDRC revenue generation, and the more effective use of GDRC funds in pro-poor sectors. These latter three objectives have not been completely achieved.

The Final "Final Draft"?

¶3. (SBU) The PRSP was first presented to the donors for comment in March of this year by then-Minister of Planning, Thambwe Mwamba. Weaknesses in the macroeconomic framework, budgetary framework, follow-up/evaluation strategy, and in certain socioeconomic sector strategies prevented the adoption of the PRSP at that time. Now, more than two months later, a "final draft" has again been presented to the DRC's international partners by Thambwe's successor, Minister

Sesanga Hipungu. In a June 13 meeting presided over by Sesanga, the donors presented their reactions to the latest draft. Donor recommendations included calls for further macroeconomic framework revisions, changes to the follow-up/evaluation strategy, and the addition of two ministries to those which will make up the interministerial commission that will oversee implementation of the PRSP.

Macroeconomic Framework

¶4. (SBU) The main donor objection to the draft PRSP macroeconomic framework is its overly-optimistic assumptions of the economic and financial status of the DRC for the next three years. The donors suggested that an "alternative" scenario be presented as an annex, with exterior assistance figures and economic growth rates reduced slightly to reflect current and possible future circumstances. The IMF recommended that the PRSP state the need for public enterprise reform, for reforms to increase GDRC revenues, and for the need to match expenditures with poverty reduction objectives. Donors also recommended that the PRSP indicate a higher objective for Central Bank international reserve levels, and that the document call for an analysis of expected increased international assistance and for expenditures currently used to service debt that will be freed up by debt forgiveness.

Follow-Up and Evaluation

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¶5. (SBU) The PRSP, as written, has very specific and detailed descriptions of the offices that will provide implementation, evaluation, and follow-up of the strategies outlined in the document. The donors felt that this level of specificity, down to the provincial (of which there will be 26) and local levels is too restrictive and should be decided instead by the Interministerial Commission for the National Strategy Against Poverty, led by the Prime Minister of the new government. The Minister of Plan, backed up by the World Bank PRSP expert, contended that these provincial and local-level committees already exist and had participated in the drafting of the PRSP.

¶6. (SBU) The donors recommended the inclusion of the Minister of the Interior, who oversees the important National Statistics Institute, and the Minister of Women and Family Affairs, for gender balance, on the Interministerial Commission. This commission, as envisioned by the PRSP, is already composed of the Ministers of Planning, Finance, Budget, Education, Health, Environment, Agriculture, Energy, Infrastructure, Social Affairs, Commerce, Industry, and Mines.

What's Next?

¶7. (U) The donors indicated, in a letter addressed to the Minister of Planning, that they would approve the PRSP with the recommended changes. The Draft PRSP must also now be vetted by other DRC partners, including civil society and non-governmental organizations. Once that is accomplished, it must go back to the ECOFIN Commission for review before being submitted for final approval to the DRC Council of Ministers. It is expected that this will happen before the end of June, although no Council of Ministers meeting has yet been scheduled or announced. Only after being accepted by the DRC Council of Ministers can the PRSP be handed to the IMF and World Bank and begin being implemented.

¶8. (SBU) Comment: It has taken a long time to get the PRSP

ready for primetime. Despite the fact that a new government might not be seated until late 2006, it is important to have the PRSP approved and in place by July so that the clock can start ticking on the one year of implementation necessary before HIPC Completion Point can be achieved. With large multilateral debt payments looming in the third quarter of 2007, it is in the best interests of the country to finally accomplish this task. End comment.

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